

IRS News Release

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IRS, Treasury Issue Notice Regarding Improper Deductions for Charitable Contributions of Patents and other Intellectual Property

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WASHINGTON — Today the Internal Revenue Service and Treasury Department issued a notice to advise taxpayers that the IRS intends to disallow improper deductions for charitable contributions of patents and other intellectual property. Taxpayers claiming improper deductions may be subject to penalties. In addition, the notice advises promoters and appraisers that the IRS intends to review promotions of transactions involving these improper deductions and that promoters and appraisers also may be subject to penalties.

"As we approach the end of the year, it is important for taxpayers considering donations of patents or other intellectual property to focus on the limitations on these deductions," said IRS Commissioner Mark Everson. "We're seeing an increasing number of donations that don't pass the smell test. Donations that are overly inflated or made with strings attached are going to receive increased scrutiny."

The IRS is aware that some taxpayers transferring patents or other intellectual property to charitable organizations are claiming charitable contribution deductions in excess of the amounts to which they are entitled. In particular, the IRS is aware of purported charitable contributions of intellectual property involving: 1) transfers of nondeductible partial interests in intellectual property; 2) the expectation or receipt of benefits in exchange for transfers; 3) inadequate substantiation of contributions; or 4) overvaluation of intellectual property transferred.